

Congress of the United States
Washington, DC 20510

February 7, 2012

The Honorable Dave Camp
Chairman, House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Max Baucus
Chairman, Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairmen Camp and Baucus:

We appreciate your leadership on the conference committee for H.R. 3630 and look forward to quick passage of legislation that would provide critical tax relief for American workers. As the conference committee considers the payroll tax cut extension and other issues, we encourage you to include permanent repeal of Medicare's sustainable growth rate (SGR) formula and offset the cost with savings from capping a portion of the spending for Overseas Contingency Operations (OCO) below amounts in the Congressional Budget Office (CBO) baseline.

A permanent solution to the SGR dilemma is long overdue. Democrats, Republicans, and the Medicare Payment Advisory Commission (MedPAC) have all recognized that the formula is inherently flawed because it neither rewards physicians who restrain growth nor punishes those who prescribe unnecessary services. Since 2003, Congress has relied on temporary patches to avert the projected Medicare physician payment cuts. When previous legislation passed to override the cuts called for by the SGR, it made the cost of the fix temporarily smaller by calling for even greater cuts at the end of the budget window. The accumulated debt associated with this approach has exacerbated the problem, leading to the artificially large cuts we face today.

CBO currently projects that the 10-year cost of repealing the SGR and freezing physician payments at current levels would cost \$316 billion. If Congress passes just a two-year extension, then the cost of full repeal—including temporary patches—will grow to \$385 billion. According to the American Medical Association, when the cost of temporary patches is considered, the true cost of a 10-year fix will grow to nearly \$600 billion by 2016. By way of comparison, in 2005, the formula could have been repealed for less than \$50 billion. This current dynamic prevents Congress from enacting reforms that would appropriately align incentives for the delivery of high quality, cost effective care.

Without action, Medicare payments to physicians will be cut by nearly 30 percent on March 1. These cuts come at a time when practice costs continue to rise and the number of Medicare beneficiaries grows exponentially. According to the 2011 Medicare Trustees Report, Medicare payment updates for physicians are 20 percent below the cost of caring for seniors. As the leading edge of the baby-boom generation enters the program, the number of Medicare beneficiaries is expected to grow dramatically from 45 billion in 2011 to 58 million in 2020. The impact of

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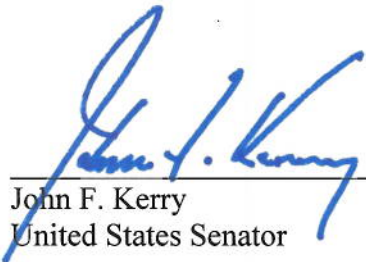
Medicare's funding is multiplied because private payers often follow the Medicare payment formula.

Full repeal of the flawed Medicare SGR formula is particularly important to the Massachusetts economy. One in five workers in Massachusetts is employed in health care and it supports nearly 15 percent of our state's economy. This issue directly affects over one million seniors and military families in Massachusetts, as well as 20,000 physicians and their 114,000 employees, and every health care constituency which depends on Medicare, including medical device companies, biotech companies and our hospitals.

We urge you to include full repeal of the SGR as part of the conference agreement to avert this draconian cut, bring payment stability to our nation's physicians, and ensure that seniors have access to needed medical care. Furthermore, we believe reductions in Overseas Contingency Operations (OCO) spending present an ideal opportunity to offset the cost of repealing the SGR.

Thank you for considering our request and for your important work on the conference committee.

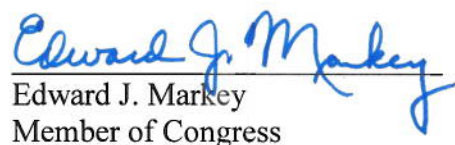
Sincerely,



John F. Kerry
United States Senator



Scott P. Brown
United States Senator



Edward J. Markey
Member of Congress



Barney Frank
Member of Congress

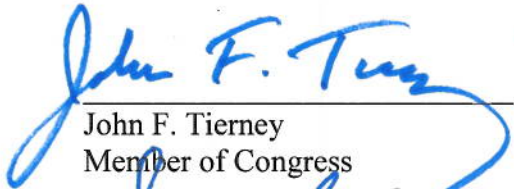


Richard E. Neal
Member of Congress

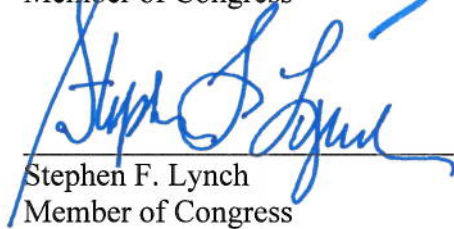


John W. Olver
Member of Congress

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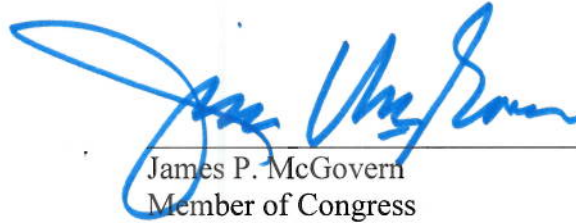
John F. Tierney
Member of Congress



Stephen F. Lynch
Member of Congress



William R. Keating
Member of Congress



James P. McGovern
Member of Congress



Niki Tsongas
Member of Congress

Cc: The Honorable John Barrasso
The Honorable Xavier Becerra
The Honorable Kevin Brady
The Honorable Benjamin L. Cardin
The Honorable Robert P. Casey, Jr.
The Honorable Mike Crapo
The Honorable Renee Ellmers
The Honorable Nan Hayworth
The Honorable Jon Kyl
The Honorable Sander Levin
The Honorable Tom Price
The Honorable Jack Reed
The Honorable Tom Reed
The Honorable Allyson Schwartz
The Honorable Fred Upton
The Honorable Chris Van Hollen
The Honorable Greg Walden
The Honorable Henry Waxman